

**OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE
SAN FERNANDO REDEVELOPMENT AGENCY**

MEMORANDUM

TO: Chairperson Judith N. Frank and Oversight Board Members

FROM: Don Penman, Interim City Administrator
Sonia Garcia, Junior Accountant

DATE: January 10, 2013

SUBJECT: Approval and Transmittal of the Non Housing Funds Due Diligence Review Report in Accordance with Health and Safety Code Sections 34179.5 and 34179.6

RECOMMENDATION:

It is recommended that the Oversight Board of the Successor Agency to the San Fernando Redevelopment Agency:

- a. Adopt a Resolution (Attachment "A") approving the Non Housing Funds Due Diligence Review Report conducted pursuant to Health and Safety Code Sections 34179.5 and 34179.6 and taking certain other actions in connection therewith; and
- b. Order the transmittal of the Non Housing Funds Due Diligence Review Report (Attachment "B") to the Department of Finance and the County Auditor-Controller.

BACKGROUND/ANALYSIS:

Pursuant to Health and Safety Code Section 34179.5, each successor agency must employ a licensed accountant, approved by the county auditor-controller and with experience and expertise in local government accounting, to conduct a due diligence review to determine the unobligated balances available for transfer to taxing entities. The attached Non Housing Funds DDR Report was prepared by the accounting firm of Eadie and Payne LLP.

Each review must determine the net balance of all other funds of the former Redevelopment Agency excluding the Low and Moderate Income Housing Fund (LMIHF) and specifically the amount of cash and cash equivalents determined to be available for allocation to taxing entities as of June 30, 2012 (the Non Housing Funds Due Diligence Review Report). In summary, such amount is determined by determining the total value of assets and cash and cash equivalents of all other non-LMIHF Funds of the former Redevelopment Agency, and subtracting the following (Restricted Assets): (1) restricted funds, (2) assets that are not cash or cash equivalents, (3)

amounts that are legally or contractually dedicated or restricted for the funding of an enforceable obligation, and (4) amounts that are needed to satisfy obligations that will be put on the Recognized Obligation Payment Schedule (ROPS) for the current fiscal year. Also, the amount determined to be available for allocation to taxing entities includes the value of assets, cash and cash equivalents transferred after January 1, 2011 through June 30, 2012 by the former Redevelopment Agency or the Successor Agency to the City, another public agency or private person if an enforceable obligation to make that transfer did not exist. The Non Housing Due Diligence Review documents the Restricted Assets and provides the respective amounts, sources and purposes for which the Restricted Assets should be retained.

Health and Safety Code Section 34179.6 requires each Successor Agency to submit the Non Housing Funds Due Diligence Review Report to the Oversight Board for the Oversight Board's review and approval.

Upon receipt of the Non Housing Funds DDR Report, the Oversight Board must convene a public comment session to take place at least five business days before the Oversight Board holds the approval vote. The Oversight Board also must consider any opinions offered by the County Auditor-Controller on the review results submitted by the Successor Agency.

By January 15, 2013, the Oversight Board must review, approve, and transmit the Non Housing Funds DDR Report to the State Department of Finance (DOF) and the County Auditor-Controller. The Oversight Board may adjust any amount provided in the review to reflect additional information and analysis. The review and approval must occur in public sessions. The Oversight Board may request from the Successor Agency any materials it deems necessary to assist in its review and approval of the determination.

Section 34179.6 empowers the Oversight Board to authorize a Successor Agency to retain the Restricted Assets.

The DOF must complete its review of the Non Housing Funds DDR Report no later than April 1, 2013, and must notify the Oversight Board and the Successor Agency of its decision to overturn any decision of the Oversight Board to authorize a Successor Agency to retain Restricted Assets. The DOF must provide the Oversight Board and the Successor Agency an explanation of its basis for overturning or modifying any findings, determinations, or authorizations of the Oversight Board. The Successor Agency then has the option to meet and confer with DOF to discuss any modifications.

By April 20, 2013, the County Auditor-Controller must provide DOF a report specifying the amount submitted by each Successor Agency from the all other former redevelopment agency funds excluding the LMIHF, and specifically noting any Successor Agency that failed to remit the full required amount.

Upon full payment of the amounts determined in the Non Housing Funds DDR Report and the subsequent review conducted for all other funds and accounts, payment of the "surplus" tax revenues due on July 12, 2012 of which a remainder is still due and to be paid in January of

2013, and any unpaid or underpaid pass through payments owed for fiscal year 2011-12, DOF will issue to the Successor Agency, within five business days, a finding of completion of the requirements of Section 34179.6.

Eadie and Payne, LLP were retained by the Successor Agency to conduct this Due Diligence Review.

The Oversight Board convened the required public comment session regarding the Non Housing Funds Due Diligence Review Report on Thursday, December 13, 2012.

CONCLUSION:

The Oversight Board should review and approve the Non Housing Funds DDR Report pursuant to Health and Safety Code Section 34179.6. Subsequent to review and approval, the Oversight Board shall direct Agency staff to submit the Non Housing Funds DDR Report to DOF by January 15, 2013.

BUDGET IMPACT:

None; there is no budget impact.

ATTACHMENTS:

- A. Resolution
- B. Non Housing Funds Due Diligence Review Report